GOVERNMENT OF INDIA
TEXTILES
LOK SABHA

STARRED QUESTION NO:221
ANSWERED ON:15.12.2008
CRISIS IN TEXTILE INDUSTRY
Patel Shri Kishanbhai Vestabhai;Yadav Shri Anirudh Prasad (Sadhu)

Will the Minister of TEXTILES be pleased to state:

(a) whether the textile industry has been facing a crisis due to the global economic slowdown leading to closure of textile units and retrenchment of employees;

(b) if so, the details thereof and the reaction of the Government thereto; and

(c) the remedial measures taken by the Government to save and boost the textile industry in the country?

Answer

MINISTER OF TEXTILES(SHRI SHANKERSINH VAGHELA)

(a) to (c):A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO.221 FOR ANSWER ON 15.12.2008

(a) to (c): The textiles and garments (including handicrafts, coir and jute) exports during the first four months of the current financial year (April-July) have shown growth of over 15% in US dollar terms over the textiles and garments exports during the corresponding period of the preceding financial year.However, as per the latest available data for April-August 2008,exports of textiles and clothing were of the order of US$ 9.09 billion,thus recording a decelerated growth of 11.10% vis-Ã -vis the exports of US$ 8.18 billion in April-August,2007.A marked decline is however seen in the exports of textiles and clothing during August, 2008 with total textiles exports aggregating to US $ 1655.29 million as against US $ 1732.42 million in August 2007 thus recording a decline of almost (-)4.5% approximately,in dollar terms.In rupee terms,exports during August,2008 was recorded at Rs.7107.37 crore compared to Rs.7071.96 crore in August 2007 thus recording a marginal increase of 0.5% in rupee terms.

The imports data of US,major market for India's textiles and clothing,has shown a decline of 0.8%,in imports of textiles and clothing from India during January-September, 2008.

Some of the reasons attributed to this decline are the financial sector melt down and economic slow down in international markets,increased cost of production because of increasing raw material costs,power and other input costs which have affected the profitability of textiles and garments units in India and their exports. The liquidity crunch is another factor that is affecting the industry.

The Government is seized of the submissions of the industry and trade associations regarding potential loss of employment in the textiles and clothing industry consequential to declining sales in domestic and international markets.However,no specific or definite numbers have been reported so far. Some of the steps taken by the Government to support the textiles and garments industry include the following:

i) DEPB Scheme extended till May 2009.

ii) Income Tax benefit to 100% EOUs under Section 10B of I.T. Act,being extended by Government for one more year,beyond 31.3.2009.

iii) Customs duty payable under EPCG scheme reduced from 5% to 3%.iv) Average export obligation under EPCG for Premier Trading Houses shall, as an option, be calculated;based on the average of last 5 years export, instead of the present 3 years.

v) Exports made towards fulfillment of export obligation under EPCG Scheme shall be eligible for incentives/rewards under promotional schemes.

vi) In case of textile and granite sector EOUs, payment of only excise duty on DTA sale.In case the use of duty paid imported inputs is up to 3% of the FOB value of exports.

vii) Enhanced duty credit scrip of 2.5% (instead of the normal 1.25% under FPS) would be allowed for export of High value added manufactured products.

viii) Inclusion of 10 more countries within the ambit of Focus Market Scheme.

ix) Measures to reduce transaction cost to the exporters and procedural simplification have also been incorporated.

In addition to the above, the Government have announced on 7th December, 2008 a package of measures to stimulate the economy.So far as the textiles sector is concerned,the measures, inter-alia, provide for the following:-

i) Additional allocation of Rs.1400 crore to clear the entire backlog of Technology Upgradation Fund Scheme (TUFS).

ii) All items of handicrafts to be included under 'Vishesh Krishi & Gram Udyog Yojana (VK&GUY)'.

iii) Across-the-board cut of 4% in the ad-valorem Cenvat rate till 31.3.2009.

iv) Interest subvention of 2% upto 31.3.2009 subject to a minimum of 7% per annum on pre and post-shipment export credit.

v) Provision of additional funds for full refund of Terminal Excise Duty/Central Sales Tax.

vi) Enhanced back-up guarantee to ECGC to cover for exports to difficult markets/products.

vii) Refund of Service Tax on foreign agent commissions of upto 10% of FOB value of exports as well as refund of service tax on output service while availing benefits under Duty Drawback Scheme.